



# ***Regional Office Release***

*A Column By SBA Regional*

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**Release Date:** August 5, 2004

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**Release Number:** RA OE 3

## **Let SBA Help Grow Your Small Business Value**

**Nuby Fowler, SBA Southeastern Regional Administrator**

Few investments are more durable, predictable and offer a better hedge against inflation than real property. For individuals and businesses alike, purchasing real estate is an essential component to building net worth and financial security. This is particularly true for businesses that have struggled through those tough start-up years and are beginning to hit their stride. Investing in an operations facility can help situate a business for future growth, create collateral for financing an expansion, and help build a healthy balance sheet.

In many communities across the country however, traditional commercial lending practices make it difficult for the average small businesses to take this important step. Faced with the prospect of unpredictable interest rates, large down payments and daunting balloon payments, all of which have historically characterized commercial loans, far too many businesses continue to operate from leased space long after they should. These businesses, and their owners, miss out on the equity appreciation, tax advantages and flexibility that owner occupied space can offer. They also face inevitable rent increases and the never-ending possibility of losing their lease and having to relocate.

A growing number of small businesses are finding that SBA's 504 loan program may hold solutions to the challenges of purchasing commercial property at reasonable interest rates and terms. 504 loans provide growing businesses with long-term, fixed-rate financing for major acquisitions, such as commercial land and buildings. 504 loans are financed through SBA backed Certified Development Companies. These non-profit community development organizations work with the SBA and private-sector lenders to help businesses make major acquisitions.

Typically, a 504 project includes a loan from a private-sector lender covering up to 50 percent of the project and a loan from the Certified Development Corporation, guaranteed by SBA, covering up to 40 percent of the cost. The program offers maturities up to 20 years; without balloon payments or negative amortization. Fixed interest rates are tied to the U.S. Treasury bond rate and fees may be rolled into the loan. Typically, an existing business purchasing a general use facility can close with a 10% equity injection.

SBA's 504 loan program also offers communities a dividend by including a job creation component in the loan agreement.

For information on how your small business can benefit from an SBA 504 fixed asset loan go to [www.sba.gov](http://www.sba.gov) or call 1-800-U-ASK-SBA. This could be the best business decision you make this year.

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This column is part of a series of opinion-editorials by SBA Regional Administrator Nuby Fowler for publication in the Southeastern United States